Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at http://about.jstor.org/participate-jstor/individuals/early-journal-content.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

REVIEWS AND NEW BOOKS

General Works, Theory and Its History

Theorie der wirtschaftlichen Entwicklung. By JOSEPH SCHUMPETER. (Leipzig: Verlag von Duncker und Humblot. 1912. Pp. viii, 548. 12 m.)

Economic theory passes through a preliminary stage of development in which it largely concerns itself with terms and basic concepts and in which its discussions have more to do with the dialectical mode of stating truths already known than with positive additions to human knowledge. In its next estate it makes real discoveries. It seeks and finds causes of known conditions and gains a power to answer such questions as, What forces tend to increase the reward of labor and to raise the level of human life? It is theory still, but it studies facts in their causal connection and the causes as well as the facts are of vital interest to humanity.

The recent work of Professor Schumpeter represents this type of research. It is largely a study of capital, interest, and profits, with an incidental inquiry into the causes of commercial crises. All these phenomena it connects with economic evolution, and it studies them as they appear in a world of change and progress. It thus makes an important addition to the limited amount of scientific literature which deals consciously and systematically with what is commonly termed "Economic Dynamics."

Professor Schumpeter recognizes the fact that a determination of static laws and standards furnishes the essential starting point in the search for laws of change and movement. He presents a unique conception of the static state, which will certainly interest readers and stimulate thought, whether it is accepted as correct or not. He reduces the elements which are necessary for production into land, including natural agents, and labor. Given the earth and man, and he will make the earth useful to him by efforts; and this is, of course, production. Empty-handed man working on crude nature can produce—in a rather microscopic amount, indeed—products that directly satisfy wants and constitute the "consumers wealth" of current discussion. Producing much of it requires tools; and when a full stock of these has been made and industry has become highly organized, a condition is created in which a worker gets finished goods day by day as his work proceeds. Each

one of these goods requires time in the making, and yet the producer does not have to wait for them. Laborers are able to eat as they work and the eating is the immediate consequence of the working. This synchronizing of labor and its fruits, as well as the multiplication of the fruits, requires capital; and it may be said, therefore, that capital is a condition of that kind of production which is organized, fruitful, and able to pay as it goes in fully "ripened" goods. Standing around the banks of a seething pool the laborers toss their product into it and at once draw out of it, in finished forms, what they need for daily use.

Whatever of controversy will arise concerning these truths is merely dialectical; but a real question of fact may be asked in this connection, namely, What return would accrue to the capital which accomplishes the results described if industry were in a static state? If this return furnishes a *standard* of dynamic interest—if it represents the amount to which the return for invested capital tends to conform in spite of the influences which make the actual interest vary somewhat from its standard, it is important to know what that static interest is. Professor Schumpeter's answer is that it is "*nil*." Two incomes only would exist if the sources of gain which depend on continual progress were closed. Land would yield rent, labor would secure wages, and the two would absorb the whole product of industry.

According to Professor Schumpeter all the return of capital itself is included in the gross profit accruing, in the first instance, to entrepreneurs. This gain is brought into existence preëminently by new combinations of the factors of production, and the making of these is the special function of the entrepreneur. The new coördinations are an element in progress and therefore a prominent subject of study in a work on economic evolution. The imaginary static state rules out these new coördinations and with them not merely the net profit, or the profit in excess of interest, but the whole profit, including interest. That special return which the investor as such can demand and get is the child of economic dynamics. The payment of it by the entrepreneur constitutes, in a certain sense, a tax on profit, though the circumstances which call for this tax are highly beneficial to the men who pay it. The argument in support of the thesis that no interest would exist in the static state constitutes one of the highly interesting parts of the work.

Dr. Schumpeter is in advance of many other writers in appreciating two classes of truth, one of which, looking at tools, etc. in detail, asserts that each of them involves waiting for its own particular fruits, while the other looks at capital as a great complex of productive instruments and on labor as an organized operation, and asserts that out of it all emerge products fully finished as fast as the labor is applied. He is in a position to discuss in a broad way the full part played, on the one hand, by time as an element in production and, on the other, by capital and organization as, in a sense, the antitheses of time and the synchronizers of labor and consumption. Such actual facts as are at the basis of the brilliant studies of von Böhm-Bawerk by no means contradict other truths concerning the action of capital and organization in maintaining a constant flow of consumers' wealth and in obviating the necessity for allowing an interval to elapse after the collective labor is applied before the fruits of it become available. That work with capital produces *more* than it would do without it and that it gets an *immediate* return instead of a distant one are facts which do not admit of contradiction, though modes of stating them will continue to differ.

Professor Schumpeter's work discusses commercial crises and treats them very properly as dynamic phenomena—the outcome of a certain unbalanced and uneven progress. It draws a distinction between the kind of change which presents no serious problems for solution and the kind which creates such problems. The mere growth of population and enlargement of the fund of capital would call for adaptations which would take place automatically and steadily, while the coördinations made by entrepreneurs cannot act evenly and extend throughout the whole system at once. To the irregularities in the action of such causes crises are chiefly due. In that part of the book which deals with this subject, as well as in other parts, the reader will find himself in a world of reality abounding in critical issues on which the work sheds welcome light.

John Bates Clark.

Columbia University.

Laws of Wages. An Essay in Statistical Economics. By Henry Ludwell Moore. (New York: The Macmillan Company. 1911. Pp. viii, 196.)

The author of this essay begins with a number of economic